

## Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 AID-05  
CEA-01 CIAE-00 COME-00 EB-08 EA-07 FRB-03 INR-07  
IO-13 NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04  
SIL-01 AGRE-00 OMB-01 ERDA-05 DODE-00 FEAE-00 FPC-01  
H-01 INT-05 L-03 NSC-05 PM-04 OES-06 SS-15 STR-04  
ACDA-07 /134 R

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FEA - MR. BORRE (SUBS)

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-----071906Z 059867 /44

O R 071817Z MAR 77

FM SECSTATE WASHDC

TO USMISSION OECD PARIS IMMEDIATE

INFO ALL OECD CAPITALS

C O N F I D E N T I A L STATE 049886

E.O. 11652:GDS

TAGS: ENRG, OECD, EEWT

SUBJECT: COMMITTEE ON ENERGY POLICY

REF: OECD PARIS 5727; OECD PARIS 5730

-- DURING MARCH 10 MEETING OF CEP, AMBASSADOR SHOULD DRAW  
ON FOLLOWING GUIDANCE KEYED TO AGENDA:

1. ADOPTION OF AGENDA (EP/A (77) 1, 1ST REVISION)- AGENDA  
IS ACCEPTABLE.

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2. APPROVAL OF SUMMARY RECORD OF THIRD SESSION (EP/M  
(76)3) - WE HAVE NO OBJECTIONS TO SUMMARY.

3. CIEC: DISCUSSION OF RECENT DEVELOPMENTS - DISCUSSION  
UNDER THIS AGENDA ITEM SHOULD BE LIMITED TO A GENERAL  
SUMMARY OF WHERE WE STAND GOING INTO FINAL MINISTERIAL, IT

IN NO CIRCUMSTANCES SHOULD LEAD TO PROPOSALS OR RECOMMENDATIONS. WE CONTINUE TO REGARD IEA AS APPROPRIATE FORUM FOR CONSUMER CAUCUSING ON PROGRESS IN ENERGY COMMISSION. YOU MAY MAKE THE FOLLOWING GENERAL POINTS AS APPROPRIATE IN COURSE OF DISCUSSION:

--- PREPARATIONS FOR CIEC FINAL MINISTERIAL NOW FORESEEN FOR END OF MAY ARE UNDERWAY;

-- DURING YEAR'S WORK IN ENERGY COMMISSION WE HAVE MADE CONSIDERABLE PROGRESS IN ACHIEVING INDUSTRIALIZED COUNTRY CIEC ENERGY OBJECTIVES;

--- WE HAVE INTENSIFIED PRESSURE ON OPEC, PARTICULARLY BY OIL IMPORTING LDC'S, FOR MODERATION OF PRICE DECISIONS;

--- WE HAVE ENCOURAGED OPEC TO RECOGNIZE RELATIONSHIP BETWEEN OIL PRICES AND GLOBAL GROWTH AND NEED FOR RESPONSIBLE POLICIES COMMENSURATE WITH THEIR WEALTH AND INFLUENCE;

--- WE HAVE MOVED TOWARD INTEGRATING KEY PRODUCERS MORE FULLY INTO WESTERN ECONOMIC AND FINANCIAL SYSTEMS;

--- AS A RESULT, WE ARE SATISFIED THAT ENERGY COMMISSION CONTRIBUTION TO FINAL MINISTERIAL WILL BE A USEFUL ONE.

4. EAST/WEST ENERGY RELATIONS (EP (77) 7) - MISSION MAY MAKE FOLLOWING POINTS:

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--- THE SECRETARIAT'S PAPER IS WELL-WRITTEN AND A USEFUL BASIS FOR FURTHER STUDY OF ENERGY TRADE WITH EASTERN COUNTRIES.

--- THE US WOULD PREFER TO SEE PROJECTIONS BEYOND 1980 TO 1985, TO ASSESS THE DEGREE TO WHICH WESTERN DEPENDENCE ON SOVIET ENERGY RESOURCES (ESPECIALLY NATURAL GAS AND ENRICHMENT CAPACITY) MIGHT CHANGE, AS WELL AS LIKELY EXTENT OF SOVIET DEPENDENCE ON FOREIGN PETROLEUM. PARTICULAR ATTENTION SHOULD BE GIVEN TO POSSIBILITY THAT SOVIET ENERGY DEVELOPMENT MIGHT BE DELAYED. GIVEN LACK OF SOVIET DATA, PERHAPS SECRETARIAT COULD TAKE TWO OR THREE ALTERNATIVE ASSUMPTIONS AND TRACE IMPLICATIONS.

--- AS SUGGESTED BY SECRETARIAT, WE AGREE THAT A QUESTIONNAIRE FOR MEMBER STATES WOULD BE HELPFUL. IF ISSUE RAISED BY OTHERS, YOU MAY SAY THAT GIVEN SENSITIVITIES EXPRESSED BY SEVERAL OECD MEMBERS TOWARD ANY COORDINATION OF EAST-WEST POLICIES, SECRETARIAT SHOULD NOT TAKE LEAD IN

DISCUSSION OF EASTERN POLITICAL INITIATIVES (SUCH AS THE BREZHNEV PROPOSAL FOR AN ALL-EUROPEAN ENERGY CONFERENCE).

5. OIL MARKET DEVELOPMENTS (EP (77) 9) - REQUEST YOU MAKE FOLLOWING INTERVENTION:

--- WE BELIEVE CONTINUING UNCERTAINTIES ABOUT SAUDI PRODUCTION AND TOTAL DEMAND MAKE IMPOSSIBLE ANY FIRM PREDICTION OF OUTCOME AND TIMING OF A RESOLUTION OF TWO-TIER PRICING SYSTEM;  
THAT ANY OF PRINCIPAL PRODUCERS YET FEELS GREAT PRESSURE TO CHANGE POSITION;

--- WE BELIEVE IT IMPORTANT TO POINT OUT A POSSIBLE MIS-UNDERSTANDING IN PARAGRAPH 19 OF THE OIL MARKET REPORT REGARDING US REGULATIONS RELATING TO TWO-TIER OIL PRICES. THE REPORT REFERS TO ACTION TAKEN BY FEDERAL ENERGY  
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ADMINISTRATION TO ADJUST ITS CRUDE BUY/SELL PROGRAM TO TAKE INTO ACCOUNT OPEC PRICE INCREASES. THIS MODIFICATION SIMPLY SHORTENS TIME DELAY IN PASSING ON A COST INCREASE AND IS NOT RELEVANT TO FACT THAT OPEC PRICE SYSTEM IS A TWO-TIER RATHER THAN ONE-TIER SYSTEM. I MIGHT ADD THAT OUR EXISTING PROGRAMS ARE STRUCTURED TO GIVE INCENTIVE TO A REFINER OF IMPORTED OIL TO PURCHASE THE CHEAPEST AVAILABLE FOREIGN CRUDE OILS. WE INTEND TO ENCOURAGE INFLOW OF LOWER-TIER OIL AND CONSEQUENTLY WOULD AVOID ANY MEASURE WHICH WOULD REMOVE COMPANY INCENTIVES TO PURCHASE LOWER-TIER OIL.

6. MAIN FEATURES OF NATIONAL ENERGY POLICIES: ENERGY POLICY IN SPAIN (EP (77) 8) - DOCUMENT NOT RECEIVED.  
ENERGY CONSERVATION AND ALTERNATIVE ENERGY SOURCES: RECENT DEVELOPMENTS - US INTERVENTION UNDER THIS AGENDA ITEM SHOULD BE LIMITED TO STATEMENT, IF NECESSARY, THAT U.S. DOMESTIC ENERGY PROGRAM IN PROCESS OF BEING DEVELOPED, THAT PROCESS NOT YET SUFFICIENTLY ADVANCED FOR COMMENT ON POSSIBLE SHAPE OF NEW PROGRAM AT THIS TIME, BUT THAT U.S. ANTICIPATES BEING IN POSITION TO MAKE PRESENTATION AT EARLY FUTURE CEP.

7. PROPOSED PROGRAM OF WORK (E) (77) 6) - WE ARE NOT SATISFIED WITH WORK PROGRAM AS WRITTEN AND REQUEST YOU PRESS FOR AGREEMENT TO FOLLOWING CHANGES:

--- PARAGRAPH ONE SHOULD BE AMENDED TO READ IN PART "THE WORK OF THE COMMITTEE WILL CENTER PRIMARILY ON QUESTIONS LIABLE TO HAVE LONG TERM POLICY IMPLICATIONS;"

--- PARAGRAPH THREE TO BE AMENDED TO READ IN PART "INTER-NATIONAL COOPERATION AT WORLD LEVEL INCLUDING TAKING NOTE AT REGULAR INTERVALS OF PROGRESS MADE IN THE ENERGY COMMISSION OF THE CIEC AND IN OTHER INTERNATIONAL BODIES;"

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WE DO NOT SEE A NEED FOR A SUBSIDIARY BODY AT THIS TIME.  
IF SUCH A BODY SHOULD BE PROPOSED YOU SHOULD SUGGEST  
DEFERRAL OF A DECISION PENDING A CLEARER APPRECIATION OF  
WORK LOAD OF CEP AND FUNCTIONS OF POSSIBLE WORKING GROUP.

8. OTHER BUSINESS - NONE.

9. DATE OF NEXT MEETING: GIVEN HEAVY MAY/JUNE COMMITMENT,  
WE STRONGLY PREFER NOT MEETING IN JULY OR THEREAFTER,  
NOT BEFORE EARLY JUNE IN ANY CASE.

10. INFO ADDRESSEES MAY DRAW ON FOREGOING IN CONVERSATIONS  
WITH HOST GOVERNMENTS AS NECESSARY.  
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## Message Attributes

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